



BEFORE THE ARIZONA CORPORATION COMMISSION

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2005 JAN 24 P 4:43

JEFF HATCH-MILLER
Chairman

AZ CORP COMMISSION
DOCUMENT CONTROL

WILLIAM MUNDELL
Commissioner

MARC SPITZER
Commissioner

Arizona Corporation Commission
DOCKETED

JAN 24 2005

MIKE GLEASON
Commissioner

KRISTIN K. MAYES
Commissioner

DOCKETED BY

IN THE MATTER OF QWEST)
CORPORATION'S FILING AMENDED)
RENEWED PRICE REGULATION PLAN)

Docket Nos. T-01051B-03-0454
T-00000D-00-0672

IN THE MATTER OF THE)
INVESTIGATION OF THE COST OF)
TELECOMMUNICATIONS ACCESS)

**NOTICE OF FILING REVISED PAGE 13
TO CROSS ANSWER AND SURREBUTTAL TESTIMONY OF DON PRICE**

Attached is a revised page 13 to the Cross Answer and Surrebuttal Testimony of Don Price filed on January 12, 2005. The only revision to this page is the addition of the full citation to the case cited in footnote 12. MCI requests that parties substitute the page originally filed with this revised page.

RESPECTFULLY SUBMITTED this 24th day of January, 2005.

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1 ORIGINAL and fifteen (15) copies
2 of the foregoing application filed
3 this 24th day of January, 2005, with:

4 The Arizona Corporation Commission
5 Utilities Division – Docket Control
6 1200 W. Washington Street
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8 Copy of the foregoing hand-delivered
9 this 24th day of January, 2005, to:

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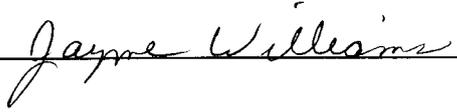
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1 circumstances, the FCC and the courts have begun to refer to the historic
2 accounting and separations rules as part of the "old regime."¹²

3
4 **Q. Please continue you discussion of "traditional top-down ratemaking**
5 **principles."**

6
7 **A.** Once the regulator had held hearings and made the numerous decisions
8 required to establish the utility's revenue requirement, a separate phase of the
9 proceeding was undertaken to set rates. This phase was referred to as the rate
10 design phase. Key for our purposes is that the sole objective of this phase of the
11 process was to develop a set of rates that, in total, would yield annual revenues
12 at the level of the revenue requirement the regulator had established. In other
13 words, the sum of the rates times the number of units must equal the revenue
14 requirement. If the level of revenues was greater, the utility could be said to be
15 "over earning," and if that level was less, the utility would likely seek additional
16 revenue relief in the form of higher rates.

17 In this latter phase of the proceeding, the utility, other parties, and the
18 regulatory staff typically presented competing proposals as to which rates should
19 be lowered and which should be increased. If the setting of the utility's revenue
20 requirement was a battle over the size of the pie, the rate design portion of a rate
21 proceeding was a battle over how to divide that pie into component parts, i.e., the
22 various services provided by the utility.

23 Because it was unusual for the utility to furnish economic (TSLRIC) cost
24 studies demonstrating the cost to furnish basic local service, one may well

¹² See, e.g., TX OPUC vs. FCC, 183 F.3d 393, 417 (5th Cir. 1999). "By recommending replacing the historical cost system with a forward-looking "most efficient" cost model, the Joint Board must have considered that the jurisdictional separations rules no longer would apply in the same way."